Introduction

Decentralisation has been a focal point of debate in social science since the 1980s. The concept of decentralisation is more often discussed as an administrative reform for better governance. Decentralisation is therefore a political as well as an administrative initiative for transferring power, functions and resources from higher to lower levels of government. Proposal for decentralising the administrative mechanism in third world economies including India as an alternative for state intervention in second half of 1980s, emerged from the international organisations particularly the World Bank. It in turn means that the popularisation of the concept of decentralisation in the late 1980s and its culmination into constitutional amendments in 1992 may be viewed in the light of the ideological changes in the arena of international economy. The revival of local governments in Third World economies like India in the 1980s and 1990s traces its ideological roots to the paradigm shift in the international political sphere.

A lease of fresh life to the local governance and institutions in the 1980s and 1990s, especially in third world countries like India has therefore been stated to be a manifestation of the shift in policy paradigm of the international development agencies, particularly the World Bank and the International Monetary Fund. The market-driven efficacy paradigm (liberal capitalism) has been complemented with non-state actors such as Non-Governmental Organisations (NGOs) and Civil Society Organisations in development activities were the thrust of ideological platform of the political agenda of what is commonly called neoliberalism. In the neoliberal development paradigm, coordination of market forces and Civil Society Organisations are expected to be performed by institutions at the local level. Decentralisation, participatory democracy and local level planning have been prescribed as an antidote to the growing poverty and unemployment in third world countries, particularly after the introduction of neoliberal economic policies in the 1980s. Against this backdrop that the government of India enacted 73rd and 74th Constitution Amendment Acts in 1992. The 73rd Constitution amendment pertained to local government in rural area and 74th amendment was for urban local governments.

Government of India enacted the 73rd and 74th constitutional amendments paving the way for the emergence of 3rd generation of Local Self Government Institutions

(LSGIs) in India in 1992. Following the Acts in 1992, it was made mandatory for every State to enact state level Panchayati Raj and Nagarapalika Acts. The birth of 3rd generation of local bodies in India did happen by mid 1990s in 28 states and seven Union Territories in India. Accordingly, there are 237528 Village Panchayats, 6323 Intermediate Panchayats, 589 District Panchayats and 5300 urban local bodies in 2013. Government of Kerala passed the Kerala Panchayat Raj Act and the Kerala Municipality Act in 1994 to fall in line with the Constitutional requirement.

Background of the Study

Kerala is known for its paradoxical pattern of social and economic development. The lop sided development characterised by a relatively better developed social sector and a less developed material production sector is widely known in academic parlance as *Kerala Model* of Development. Although the Kerala Model had attracted wide attention as a model worth emulating in other states and developing societies in the 1970s and 1980s, the observed deceleration in the material production sector since the late 1980s stirred up a hornet's nest of disapproval questioning the sustainability of the model in the long run. The achievement in the social sector is not supported and matched up with a commensurate growth performance in the material production sector of the state economy. More often than not, the left politics in Kerala was in the forefront of casting doubt on the economic viability of the Kerala Model of development. The per capita state income was Rs 4607, which was on a lower side as compared to the national average of the same of Rs 5583 in 1991-92. The consensus on Kerala Model was that the state net domestic product, particularly the material production sector had to be strengthened and be made more broad based to address the growing needs of the social sector in the state of Kerala. The Left Democratic Front in Kerala in 1996 decided to make use of the local self-governments which were endowed with a fresh lease of life, to rejuvenate the stagnant and retrogressive material production sector of the economy primarily through reorienting the concept of local planning by strengthening democratic decentralisation involving both fiscal and administrative powers. The fiscal decentralisation has been ensured by devolving 30-40 percent of the plan fund of the state government to LSGIs and the announcement has been made and publicised in the budget document every year. Viewing from this side, the democratic decentralisation was made more of an economy rejuvenation package to the state rather than decentralisation of administration. The primary objective of the

devolution, unprecedented in the history of decentralisation anywhere in the country, has been the empowering of LSGIs to formulate development projects to address local development needs by mobilising resources available with the households for development. The LSGIs in the state have been entrusted with the task of social mobilisation of people for the development process in the state. The social mobilisation was sought to be ensured with democratisation of the decentralisation process by strengthening Gram Sabha, neighbourhood groups, ward committees, forming Self-Help Groups and numerous other committees which have been made part of democratic decentralisation in the state. Like other democratic models like 100 percent literacy movement in the late 1980s, the democratic decentralisation process in Kerala too attracted world-wide attention. There were other numerous successful models experimented in both rural and urban bodies introduced and worked out as part of the democratic decentralisation process to rejuvenate the material production sector.

Economic philosophy, which governed the theoretical association between savings, investment and economic growth drew closer to the plan models experimented in the five year plan models in India. Given the capital output ratio, a higher rate of growth is achievable with a proportionately higher rate of saving and investment. In other words, lifting the supply bottlenecks has been the orientation of the plan models. In the era of import-substituting inward oriented economic policy with emphasis on self-reliance, such plan model was rather relevant as there existed unmet targets and pent up demand for food and non-food items. The decentralised planning process initiated in Kerala since the 9th Five Year Plan has been governed by the economic philosophy of lifting supply bottle necks. Contrary to the expected outcome in the material production sector, evaluation studies on the impact of democratic decentralised planning in Kerala have revealed that the material production sector, particularly agriculture and industry, has not made any notable progress during the plan period. On the contrary, interventions in the service sector have been successful, to a certain extent. In this backdrop, it is important to ask why the intervention in the productive sector has not succeeded under decentralised planning process in Kerala. *The study analyses factors that made interventions in the material production sector less successful as compared to the interventions in the service sector of the state economy under the democratic decentralised planning process since the 9th Five Year Plan period. More specifically, objectives of the study are given below:*

Objectives:

1. To analyse the decentralised planning related policies of successive government in the state since the 9th Five Year Plan Period;
2. To examine the content of development projects implemented in the productive sector under decentralised planning during 10th and 11th Five Year Plans;
3. To study the type of interventions required and scope of commodities viable in the productive sector under decentralised planning in Kerala.

Methodology, Method and Data Source

This study employs the analytical tools of political economy. The very nature of the study demands extensive analysis of primary secondary data. To a certain extent, the study has resorted to empirical analysis confining to the political economy framework.

Method

The study is based on primary and secondary data analysis method. For the primary survey, universe is defined as Grama Panchayats in Kerala. The basis of historical and cultural similarities, the state of Kerala is geographically divided in to three regions, viz., North Kerala, Central Kerala and South Kerala. Two districts were randomly selected from each region. From each selected districts, two Development Blocks were randomly selected. As the First Stage Unit, a Grama Panchayat was selected randomly from each sample Development Block. As the Ultimate Stage Unit, stake holders are selected. Stakeholders are broadly divided into four category, viz., (i) elected representatives, (ii) government officials, (iii) contractors, (iv) members of Grama Sabha. A total sample size of 120 stakeholders comprising the aforesaid four categories were selected. Total Grama Panchayats selected for the study are 12. Survey instrument for the primary survey included four types of semi structured printed schedules. Each stakeholder group was consulted and interviewed with schedules specially tailored for the group.

Secondary Data

The Kerala State Planning Board (KSPB) has brought out materials pertaining to different aspects of decentralised planning since the commencement of the 9th plan period. Important secondary data used for the study are: (i) Panchayat Level Statistics of Department of Economics and Statistics, Government of Kerala for 2001 and 2006;

(ii) plan project data for 10th and 11th Five Year Plan period from Information Kerala Mission (IKM) and sample Grama Panchayats; (iii) Plan Guidelines and Government Orders pertaining to LSGIs; (iv) development documents of sample Grama Panchayats, and other documents related to decentralised planning process.

Scope and Limitations of the study

Present study analyses the development interventions of LSGIs in Kerala under democratic decentralisation from the 9th to 11th Five Year plan (1996-97 to 2011-12). The focus of the study is more on the micro-level planning for local development rather than the democratic decentralisation *per se.* The development interventions of LSGIs is analysed with respect to the material production sector of the economy. More particularly, the analysis is focused on identifying major driving forces of change in the productive sector encompassing its motives, reasons, stimuli, social requirements, interests and ideas which have, in its totality, impelled the government as well as the masses to support the decentralisation process in the state of Kerala. The study has the limitation that it lenses more on the planning and productive sector development aspects of the democratic decentralisation process. Further, the study is based on perspective survey of stake holders of selected LSGIs (rural) rather than a conventional household survey. The secondary data on development projects implemented by LSGIs is available for 10th and 11th Plan and therefore detailed analysis of 9th Five Year Plan has been excluded from the analysis.

Organisation of the study

The study is organised in eight chapters. The chapter 1 introduces the topic with its background and objectives. The chapter 2 critically reviews the major stream of thought on decentralisation, governance and planning. The method, tools of analysis and limitation of the secondary data on decentralised planning in Kerala are described in chapter 3. Chapter 4 traces the history of the origin and development of Panchayati Raj Institution (PRIs) in Kerala in the broader context of the evolution of the system in India. Chapter 5 analyses plan guidelines of successive governments from 9th Five Year Plan and the impact of the policy changes on the decentralised planning process. The plan formulation and expenditure pattern of Grama Panchayats during 10th and 11th Five Year Plans with special emphasis on productive sector projects are discussed in chapter 6. Success and

failure of market intervention mechanism initiated for agriculture and industrial products of Grama Panchayats are analysed in chapter 7. The study is concluded in chapter 8.

Main Findings

Role of State Government and Decentralised Planning Process

While implementing democratic decentralisation in the state, the government of Kerala transferred power, functions and finance to local bodies. Power, functions and finance devolved to LSGIs were embedded with different degrees of autonomy. Every successive Political coalitions assuming power in the state make changes in plan fund allocation and sectorial allocation of plan guideline since the 9th Five Year Plan. The analysis in the study has revealed that the role of LSGIs has increasingly been downsized to an agency function of Central and State Governments. The programmes designed and implemented from above is found to be increasing over the years under LSGIs. Another notable drawback of imposing schemes from above is that people participation and local level planning based on local factor endowment are gradually withdrawn and replaced by government officials. The process is termed as institutionalisation of decentralised planning. It is a fact that bureaucratisation and empowering people move in opposite directions and completion of either of the time ensures the total paralysation of another.

Although the state of Kerala has been a forerunner in the introduction and implementation of decentralised governance and planning in India following the 73rd and 74th constitutional amendments, the extent of effectiveness with which the decentralised governance has been introduced in the state significantly vary across districts and LSGIs. The unevenness in the scale of decentralised governance is largely contributed by the degree of influence of political parties and their ideologies. To a great extent, it is observed that the left wing radical politics favour decentralised governance and, therefore, the involvement of local people in the process of governance is also higher in areas where radical politics play important role in public sphere. Some of the constituents in the United Democratic Front (UDF) do not favour mass mobilisation for decentralisation and People's Planning. Accordingly, the plan guidelines of the government do play a crucial role in deciding the involvement of people in the process of governance. It has been observed that drastic changes are not brought in the pattern set out by any government and therefore the pattern is followed for the rest of the plan period. In brief, it can be categorically stated

that Peoples' Participation in the planning process has greatly eroded in both urban and rural LSGIs in Kerala over the year ever since the program of People's Plan has been launched in the state.

Financial Autonomy and Decentralised Planning

Financial decentralisation is crucial in the decentralised planning process. From 9th Five Year Plan onwards, the state government have been devolving grant-in-aid to LSGIs in Kerala to formulate need based development projects. Analysis of the data on share of plan fund to LSGIs as proportion to total plan fund in the state has been declining over five year plans. For instance, the share of grant-in-aid to LSGI was 29.29 percent of state plan fund during 9th Plan. It declined to 26. 81 percent in 10th Plan and further to 22.18 percent during the 11th Five Year Plan. Financial decentralisation is a precondition for active administrative and political decentralisation. It is also important to note that the degree of autonomy of LSGIs can be observed through level of untied fund devolved by the state government. The Plan guideline issued for LSGIs also made logical sealing to ensure balanced development of different sectors of the locality. Besides the sectorial allocation, state government insisted LSGIs to implement certain development projects (mandatory projects) from the plan grant devolved. The allocation to mandatory projects is not included in to the sectorial allocation of LSGIs. It is also clear that the density of mandatory projects imposed from above and its share in the financial outlay of LSGIs has increased over the years. Allocation to mandatory projects during the 11th Plan had substantially increased in PRIs in Kerala. The relative share of mandatory projects in the plan fund of Gama Panchayats has increased from 7.55 percent (general category plan fund) to 39.46 percent between 10th and 11th Five Year Plan period. The LSGIs do implement development projects of the Central and the State government (agency functions). It is observed that the trend would relegate the status of LSGIs in the state of Kerala to an agency of the Central and state governments. The agency function is associated with the bureaucratisation of decentralisation process. It would eventually destroy the very purpose of decentralised planning and governance.

Allocation of fund to different sectors under LSGIs has declined over the years of decentralised planning in Kerala. The shortage of fund had adverse consequences on institutions created for local level planning in Kerala. Performance of Working Group and Grama Sabha is associated with the availability of fund for local level planning. People

present their development needs in Grama Sabha meeting and such demands are seldom materialised due to shortage of fund. It was the source of discontent of the participants in Grama Sabha meeting.

Decentralised Planning and Material Production Sector

Development projects under productive sector are important for local economic development. Inadequate plan fund and lack of people participation have weakened LSGIs to mobilise additional resources for planning. The very crux of devolving plan fund to LSGIs is that it should attract small producers including peasants and farmers to invest the small capital available with them in the productive sector. The study found that it is relatively effortless for Grama Panchayats to implement individual beneficiary schemes in the productive sector. Implementation of such development projects often lead to duplication of the schemes and drain out the essence of local planning. Further, such products adds little to performance of productive sector.

Both Panchayat Committees and participants in Grama Sabha are interested in projects related to infrastructure. This projects are called as popular projects. In Grama Sabha, demands for such projects are higher because construction of bridges, roads, electrification and water line extension are the felt needs of the people. The elected representatives too often opt for these projects because of its popularity in Grama Sabha. Further, the share of material production sector projects in the secondary sector has been on the decline and it indicates a direction of change in the People's Plan.

Proliferation of localised development schemes is the upcoming trend in the decentralisation projects. It is a fact that material production sector in Grama Panchayats in Kerala are based on agriculture and agro based small processing units. Most of the industrial units initiated through decentralised planning are based on simple commodity production where petty producers with small amount of capital and family labour are employed. The purpose of production is governed by their need for subsistence. Most of such petty producers have failed because of the lack of market for their products. In most cases, the very nature of the products is the major constraint of the Grama Panchayats. It has also been a reason for the failure of small and petty commodity production projects undertaken in LSGIs in Kerala.

In the Planning process, productive sector, there are individual beneficiary schemes, group beneficiary projects and general projects for collective benefits of the society. The very idea of People's plan insist that the plan fund available with the LSGI should be substantially supplemented with own fund of the concerned beneficiaries. It is expected to enlarge the scope of possible investment outlay. In the initial years of Peoples' Plan, individual beneficiary schemes in the productive sector were given priority aiming at stirring the stagnant economy of Kerala. It was the visualisation that the relative share of individual beneficiary projects in the total plan outlay largely replaced by group schemes of general category projects in the productive sector over the years. In sharp contrast to it, it was observed that individual beneficiary projects have been on the rise. An important lacuna in the individual beneficiary scheme is that such projects in the productive sector are easier for the LSGIs to implement and spend the plan fund on time because those projects do not warrant mobilisation of people and their monitoring.

In the initial years of People's Planning during the second half of 1990s and 2000s, manufacturing units as micro enterprises have been initiated under the aegis of the LSGIs in Kerala rather widely. There has not been any administrative mechanism to screen out feasible and non-feasible products for LSGIs in the state. The initial spirit of People's Planning impelled the LSGIs and to indiscriminately commence product manufacturing, which eventually led to its collapse after a while. The market constraints on industrial products such as bathing and washing soaps and a numerous other consumer goods where strong brand loyalty prevails and matters to the consumers, ethnic markets are unlikely to survive and flourish. However, the provision for marketing of agricultural products to ensure a sustainable market with a remunerative price for farmers has sustained and has been flourishing in many places with profound impact on area under crops like banana and coconut. Even if the price of coconut is internationally linked and highly volatile, to a great extent, the local initiative could provide remunerative price to farmers as the experience of Vellanad Grama Panchayat in Thiruvananthapuram has showcased. Conversely, in the same LSGI, the enterprise to establish readymade garments has awfully failed to take off. The experience of the neighbourhood Grama Panchayat (Aryanad Grama Panchayat) has experienced miserable failure of its manufacturing units of industrial products owing to the product characteristics and limited market. The

experience of different Grama Panchayats in Kerala has categorically shown that product discrimination for Grama Panchayats is an important factor influencing the sustainability.

Nexus Formation, Participation and Empowerment

The core of decentralised planning is involvement of people. It is argued that participation helps fight against social and other forms of exclusion, corruption and poverty. Empowerment refers to control over resources and the authority to decide on its use. Participation and empowerment necessitate restructuring of existing biased power structure. Absence of participation disempower the people. Further, it promote institutionalisation of the nexus formation among different agencies and functionaries associated with LSGIs. LSGIs in Kerala experienced the nexus formation as part of decentralisation process. The unholy alliance of contractors and bureaucrats and other players in the LSGIs do get a free play when the construction activities are on the planning process.